

# **THE FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM**

**Questions and Answers**



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**DEPARTMENT OF STATE  
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*Foreword*

This pamphlet is designed to answer the most frequently asked questions about the Foreign Service Retirement and Disability System, and explains in simple terms the operation of this System and the benefits it provides for participants and their families. This information is based on the law as amended through September 1961. In preparing this information, we have drawn extensively on the Civil Service Commission's Retirement Pamphlet No. 18, March 1961 for both format and content since there are many basic similarities in the two retirement systems.

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## **I. The Foreign Service Retirement and Disability System**

### **1. What is the Foreign Service Retirement and Disability System?**

This is a retirement system originally authorized by the Foreign Service Act of 1924 (the Rogers Act) for Foreign Service officers.

### **2. What is the current statutory basis for the Foreign Service Retirement and Disability System?**

The System is operated under the authority of the provisions of Title VIII of the Foreign Service Act of 1946, as amended.

## **II. The Foreign Service Retirement and Disability Fund**

### **3. What is the Foreign Service Retirement and Disability Fund?**

It is the accumulation of money held in trust by the United States Treasury for the purpose of paying annuity, refund, death, and separation benefits to persons entitled to them.

### **4. Where does this money come from?**

It comes from four main sources: (1) deductions from the salaries of participants in the Foreign Service Retirement and Disability System; (2) contribution by the Department in amounts which match the deductions from participants' salaries; (3) Government appropriations; and (4) interest earned through investment of money received from the first three sources.

### **5. How is the money invested?**

The Secretary of the Treasury invests in interest-bearing securities of the United States such portions as are not needed immediately for the payment of benefits.

### **6. How much is deducted from the salary of participants in this retirement system?**

Six and one-half percent of basic salary.

### **7. What is meant by "basic salary"?**

Basic salary is the pay or compensation set by law or regulation for Foreign Service officers and employees. It does not include chargé pay, overtime pay, military pay, cash awards for suggestions or superior accomplishments, extra pay for night and holiday work, overseas allowances and differentials, or other compensation given in addition to the basic salary of the particular participant. It does include periodic salary increases, meritorious salary increases, salary received as chief of mission, or salary received while assigned to a position in the Department or any other agency where the officer or employee is entitled to receive the salary of the position to which assigned in lieu of his Foreign Service salary.

**8. Has this deduction rate (employee contribution) always been 6½ percent?**

No. A rate of 5 percent was originally established by the Act of May 24, 1924. From July 1, 1924, to August 5, 1955, all participants were required to contribute 5 percent of basic salary not in excess of:

- a. \$9,000 for the period July 1, 1924, through June 30, 1931;
- b. \$10,000 for the period July 1, 1931, through November 12, 1946; and
- c. \$13,500 for the period November 13, 1946, through August 4, 1955.

Beginning August 5, 1955, the compulsory contribution was required on the full basic salary received. The Foreign Service Act amendments of 1960 increased this rate to 6½ percent effective October 16, 1960.

**9. How is the Government contribution to the Fund made?**

From the time of the enactment of the Act of May 24, 1924, the Gov-

ernment contribution has been obtained from the Congress in the form of appropriations estimated to be required by the Fund. Such estimates are prepared annually by the Secretary of the Treasury and included in the Department of State's budget requests. Effective July 1, 1961, a sum equal to the contribution made by each employee (6½ percent) is contributed from the appropriation used for the payment of the participant's salary.

**10. May a participant pay money other than compulsory salary deductions into the retirement Fund?**

Yes. He must pay to cover past service for which no deductions were made to the Fund if such service is to be used. He may also make additional payments known as voluntary contributions to provide a larger annuity, or to be returned to him in lump sum at time of retirement.

### III. Membership

**11. Who are participants in the Foreign Service Retirement and Disability System?**

The following persons are participants and are entitled to the benefits of the System: (a) all Foreign Service officers; (b) all other persons making contributions to the Fund on the effective date of the Foreign Service Act of 1946 (November 13, 1946); (c) any chief of mission who is not otherwise entitled to be a participant and who fulfills the following conditions:

- has served as chief of mission for an aggregate period of 20 years or more

exclusive of extra service credit granted for service in unhealthful posts;

- has paid into the Fund a special contribution for each year of such service; and (d) any Foreign Service staff officer or employee appointed by the Secretary of State who has completed at least 10 years of continuous service in the Department's Foreign Service, exclusive of military service, and exclusive of leave without pay in excess of 6 months in any calendar year.

**12. Will Foreign Service staff officers and employees who do not**

yet have 10 years of continuous service subsequently be included in the Foreign Service Retirement and Disability System as soon as they have completed 10 years of continuous service in the Foreign Service?

Yes.

13. Are persons in the military service of the United States members of the Foreign Service

Retirement and Disability System?

Not by reason of military service. However, participants in the System who leave the Service to enter the Armed Forces for active duty are considered to be on furlough and retain their status as participants while in the military service. No contribution is made to the Fund by a participant during a period of military service.

#### IV. Crediting of Civilian Service

14. What types of civilian service may be credited for retirement purposes under the Foreign Service Retirement and Disability System?

Credit is given for all service performed as an employee of the Federal Government (including the Foreign Service) or of the District of Columbia Government provided appropriate contributions are made to the Fund to cover such service. There is one minor exception to this rule: *No credit may be allowed for service in which an employee acquired social security coverage under the Social Security Amendments of 1954.* This exception applies only to service of a comparatively few individuals most of whom are temporary or indefinite employees in the field service of the Post Office Department.

15. Must the service involved be consecutive, or may separate periods of service be counted?

All service is creditable, regardless of breaks in employment.

16. May credit be allowed for periods of service during which

no retirement deductions were taken?

Yes, provided the participant became a member of the retirement System after such service was performed, and provided special contribution is made to the Fund to cover such service.

17. How is credit given for service which was performed before the establishment of the Foreign Service Retirement and Disability System?

This service is free. Full credit is allowed without any deposit for Federal Service performed before July 1, 1924 (the date deductions began under the Act of May 24, 1924).

18. Is special contribution required to obtain credit for periods of service performed after establishment of the System for which no retirement deductions were taken?

Yes. If all service credit is not purchased by special contribution only that portion as is covered by special contribution can be used.

19. Is extra credit allowed for service at "unhealthful" posts?

Yes. Unless a participant received a salary differential in lieu of extra service credit, time served at such posts is counted as time and a half. (Salary differential has been optional since April 5, 1955.)

20. In case of purchasing or repurchasing service at unhealthful posts how is the special contribution made?

It is made the same as for any other special contribution—for straight time only.

21. How is the amount of special contribution determined?

The special contribution is made up of 5 percent of the basic annual salary plus interest compounded annually at 4 percent to date payment is completed, for each year of service for which credit is sought subsequent to July 1, 1924, and prior to October 16, 1960, and 6½ percent for any period on or after October 16, 1960.

22. Is it to a participant's advantage to make the special contribution?

Yes, unless he already has the maximum of 35 years' service. Under the provisions of the Foreign Service Retirement and Disability System, prior service may not be used unless special contribution is made to cover such service.

23. When must the special contribution be made to the Fund to cover prior service?

Special contribution must be made to the Fund prior to retirement or separation from the Service.

24. Does the date of payment affect the amount of special contribution?

Yes. The longer the payment is delayed the more it will cost because of the accrual of interest.

25. May the special contribution be made in installment payments?

Payment may be made in a lump sum or, if the participant so desires, in installments or payroll allotments in multiples of \$25.

26. If a person is appointed in the Foreign Service in circumstances which entitle him to participate in the Foreign Service Retirement and Disability System directly from other Federal Service where he is covered by another Government retirement system, how is the special contribution covering the prior service handled?

In such circumstances the person's total contributions and deposits in the other retirement system including interest accrued thereon, except voluntary contributions, are transferred to the Foreign Service Retirement and Disability Fund effective as of the date such person becomes a participant in the System.

## V. Crediting of Military Service

27. What does the term "military service" cover?

It covers all active and honorable military or naval service in the Army, Navy, Marine Corps, Air Force, or the Coast Guard of the United States.

28. Is military service creditable under the Foreign Service Retirement and Disability System?

As a general rule, military service is creditable provided it was active service, was terminated under honorable conditions, and was performed before separation as a participant in the System.

29. Is a special contribution to the Fund required for military service?

No. Full credit is given for military service without any special contribution to the retirement Fund.

30. Does the receipt of military retired pay bar the crediting of military service under the System?

Yes. However, credit may be allowed if retired pay is (a) based on a disability incurred in combat with an enemy of the United States or caused by an instrument of war and incurred in the line of duty; or (b) granted under the provisions of Chapter 67, Title 10, U.S. Code, formerly Title III of the Act of June 29, 1948, P.L. 810, 80th Congress. (See question 31.)

31. What is Chapter 67, Title 10, U.S. Code?

It is a provision granting retired pay to members of reserve components of the Armed Forces on the basis of

service instead of disability. The basic requirement is the attainment of age 60 with the completion of 20 years' service.

32. Is it possible to receive military retired pay and an annuity from the Foreign Service Retirement and Disability Fund at the same time, using the same period of military service?

Yes, under the conditions outlined in question 30. Only the portion of the military service which was in active status, however, may be credited toward retirement under the System.

33. What credit is given if a participant in the Foreign Service Retirement and Disability System is placed on furlough or leave without pay to enter the military service?

The entire period is credited without special contribution.

34. May a participant receive credit for service with the National Guard?

Only when ordered into the military service of the United States.

35. May military furlough periods be credited as service if credit for the military service itself is barred because the participant is receiving military retired pay or is entitled to social security?

No.

36. Do the provisions on the crediting of military service which are explained in this section apply to service performed with

women's organizations such as the WAC, WAVES, etc.?

Yes.

37. Is service with the WAAC creditable?

Yes. However, it is creditable as civilian rather than as military service.

## VI. Voluntary Contributions

38. May a participant make contribution to the retirement Fund in addition to the regular 6½ percent deduction from salary?

Yes. Voluntary contributions may be made for the purpose of increasing the annuity at the time of retirement. Any participant may make voluntary contributions by payroll deductions to the Fund during any given year in amounts of multiples of 1 percent, but not exceeding 10 percent of his basic annual salary.

39. What happens if a participant who has made voluntary contributions is separated from the Service?

Voluntary contributions with accrued interest will be refunded to the participant at the time of separation. They may not be withdrawn except at time of retirement or when the participant is separated for reasons other than retirement on an annuity. (See question 40.)

40. What disposition is made of the voluntary contribution account if a participant dies in service?

The entire amount of his contribution and interest is payable immediately in a lump sum to the designated beneficiary, or if there is no designated beneficiary payment is made in accordance with the order of precedence set out in question 125. No part of this account may be used in com-

puting the annuity which may be due a survivor.

41. Is the privilege of making voluntary contributions open to all participants?

Yes.

42. For what periods may a participant make voluntary contributions?

He may make voluntary contributions based on civilian salary received subsequent to July 1, 1939, the beginning date of voluntary contributions, provided special contribution has also been made if service prior to becoming a participant is involved. Voluntary contributions may not be made for periods of leave without pay or military furlough.

43. May an employee make voluntary contributions based on his military pay?

Generally no. However, in those cases where a participant, prior to April 1, 1948, made special contribution for any period of military service, he may also make voluntary contributions for such period. (Special contribution made after April 1, 1948, to obtain service credit for military service was refunded upon application by the participant—see Sec. 8 of P.L. 84-22.)

44. May a participant make voluntary contributions after separation from the Service?

#### ADDITIONAL ANNUITY BASED ON VOLUNTARY CONTRIBUTIONS

- A. Participant elects a monthly single life income, with no guaranteed return of unexpended principal:

*Example:*

Male officer age 60 retires with \$9,863.46 of accumulated voluntary contributions. His purchasable monthly income would be \$64.90.

- B. Participant elects monthly single life income, with guaranteed return of unexpended principal. Under present interpretation, retiring officer may invest all, any part, or none of his accumulated contributions as illustrated below:

Male officer age 58 retires with \$10,486.39 of accumulated voluntary contributions.

*Example 1:* Invests all—monthly income \$56.21.

*Example 2:* Invests part (say \$5,486.39) with guaranteed return of unexpended principal and leaves \$5,000 as a lump sum payable upon death. Monthly income \$41.74.

*Example 3:* Invests part (say \$5,486.39) with no guaranteed return of unexpended principal and leaves \$5,000 as a lump sum payable upon death. Monthly income \$46.13.

*Example 4:* Leaves entire amount as lump sum payable upon death. Monthly income \$25.86.

- C. Male officer retires at age 58 with voluntary contributions of \$10,000. He could purchase for himself a monthly income of \$61.60. Instead he decides to elect a joint and survivor annuity with no guaranteed return. His wife is 56 years of age.

*Example 1:* If he elects an equal annuity for himself and his wife, the amount would be \$45.97.

*Example 2:* If he elects that his wife's annuity be equal to one-half of his reduced (additional) annuity, his additional annuity would be \$52.66 per month and his wife's annuity would be \$26.33 per month.

No. These contributions may be made only while the participant is still employed.

45. How do voluntary contributions made by a participant affect his annuity?

The additional annuity which the voluntary contribution account (contributions with interest) will pur-

chase increases his annuity as explained in question 46.

46. How much additional annuity may be purchased with the voluntary contribution account?

The amount of additional annuity purchasable with voluntary contributions is calculated upon tables of mortality prescribed from time to time by the Secretary of the Treasury

for this purpose, and it varies according to age of participant, age of beneficiary, if any, whether all or a part of the amount in the Fund is invested, and whether a guaranteed return of the unexpended principal is elected as shown by the examples on page 7.

47. Is it possible for a retiring participant to name a different beneficiary to receive either a cash payment or a life annuity based on his voluntary contributions?

Yes.

48. Has the retiring participant a choice as to the type of annuity

purchased with his voluntary contribution account?

Yes. He may use the entire amount to purchase annuity for himself or he may share it with a survivor annuitant. (See table for question 46 on page 7.)

49. May a participant withdraw his voluntary contribution account?

Only upon separation by retirement or otherwise. (See questions 39 and 40.)

50. May a participant withdraw his voluntary contribution account if upon separation he is eligible for an immediate annuity?

Yes. (See question 49.)

## VII. Retirement Eligibility

51. How many kinds of retirement are provided for in the Foreign Service Retirement and Disability System?

Four. They are known as voluntary, involuntary, disability, and deferred (discontinued service) retirement.

52. Is there a minimum requirement as to the amount of civilian service?

Yes. Five years of civilian service are required before annuity benefits may be paid in any case.

53. Is there a mandatory retirement age under the Foreign Service Retirement and Disability System?

Yes. Generally, all participants other than career ministers or career ambassadors are mandatorily retired for age upon reaching 60. Career ministers and career ambassadors are

subject to mandatory retirement upon reaching age 65. (Exemptions from mandatory retirement are described in question 56.)

54. Is there a different mandatory retirement age for Foreign Service staff personnel who become participants in this System?

The earliest mandatory retirement date for Foreign Service staff personnel who become participants in the System will be October 31, 1963, on which date those who are age 64 or older will be retired. Subsequently, a graduated schedule of such retirements of staff participants will be in effect for about 4 years. Thereafter mandatory retirement will be at age 60.

55. May the services of participants be extended beyond the normal mandatory age?

Yes; if the Secretary deems it to be in the public interest to continue the services of a participant who has reached mandatory retirement age, such retirement may be deferred for a period not to exceed 5 years.

**56. Are any participants exempt from mandatory retirement for age?**

Yes. A participant who is serving as chief of mission or in any other position to which he has been specifically appointed by the President by and with the advice and consent of the Senate, such as Assistant Secretary of State, may continue in service without regard to mandatory retirement provisions, so long as he serves in such capacity.

**57. When does the annuity begin for a participant who has separated and who is eligible for an immediate annuity?**

It begins on the first of the month following separation in all cases except retirements for disability. In those cases the annuity begins the first of the month after termination of pay status, or if the participant becomes disabled while in a non-pay status, the annuity begins on the first day of the month after disability is determined.

**58. Under what conditions may a participant retire for disability?**

Any participant who has 5 years of creditable service toward retirement, excluding military service, who becomes totally disabled or incapacitated for useful and efficient service by reason of disease, illness or injury not due to vicious habits, intemperance, or willful misconduct on his part may be retired on an immediate annuity.

**59. Is there a "minimum guaranteed" disability annuity?**

There is not a guaranteed minimum in all cases, but depending on age of participant a minimum of 20 years is sometimes used in computing the annuity as described in question 95.

**60. Who determines whether a participant is totally disabled so as to qualify for annuity?**

Disability is determined by the Secretary, or his designated representative, on the basis of advice provided by one or more duly qualified physicians or surgeons designated to conduct examinations.

**61. What determinations are made regarding permanent disability?**

Unless disability is determined to be permanent at time of retirement, examinations by duly qualified physicians or surgeons designated by the Secretary are made annually until the annuitant has reached the mandatory retirement age for his class in the Service unless an earlier determination of permanent disability is made.

**62. Must the annuitant pay for these medical examinations?**

No. Costs of these examinations, including reasonable traveling and other expenses incurred in order to submit to examinations, are paid out of the Fund.

**63. What happens if the annuitant recovers from the disability upon the basis of which he is retired?**

If the Secretary, or his designated representative, determines on the basis of advice of one or more duly qualified

physicians or surgeons that an annuitant has recovered to the extent that he can return to duty, the annuitant may apply for reemployment in the Service within 1 year from the date his recovery is determined.

**64. Is such a recovered annuitant entitled to reemployment?**

Yes. Upon the application of a recovered annuitant within 1 year from the date his recovery is determined, the Secretary must reinstate him in the class in which he was serving at the time of retirement, or the Secretary may, taking into consideration his age, qualifications and experience, and the present class of his contemporaries in the Service, appoint him or, in the case of an annuitant who is a former Foreign Service officer, recommend that the President appoint him, by and with the advice and consent of the Senate, to a class higher than the one in which he was serving prior to disability retirement.

**65. When an annuitant is determined to be recovered what happens to his annuity?**

Payment of his annuity is continued until a date 6 months after the date of examination showing recovery or until the date of reinstatement or reappointment in the Service, whichever is earlier.

**66. What happens if the annuitant fails to submit to examinations as required?**

Payment of annuity will be suspended until continuance of the disability is satisfactorily established.

**67. If a recovered annuitant is for any reason not reinstated or**

**reappointed in the Service what is his status with respect to annuity benefits?**

He may be entitled to deferred annuity at age 60, or he may elect to have the unexpended balance of his contributions to the Fund, if any, returned to him with interest, or if he qualifies for voluntary retirement he may be immediately retired under the provisions governing such retirement.

**68. Must an annuitant who is determined to be recovered repay any of the disability annuity received in order to qualify for reinstatement or reappointment or for an annuity at some future time?**

No.

**69. Who is eligible for voluntary retirement?**

Any participant who reaches age 50 with 20 years of creditable service under the System is eligible to retire voluntarily. Also, any staff employee who becomes a participant in the System and who on October 16, 1960, was age 57 or over, may retire voluntarily. (This permits voluntary retirement with at least 10 years of creditable service since a staff employee must have 10 years in the Foreign Service to become a participant.)

**70. Who may be involuntarily retired?**

- a. Foreign Service officers who reach the mandatory retirement age for their class;
- b. Staff participants who are retired mandatorily for age;
- c. Participants whose services as chief of mission are terminated and who

- are not reappointed or assigned within 3 months;
- d. Foreign Service officers who are selected out;
  - e. Participants beyond mandatory retirement age who are serving as chief of mission or in any other position to which appointed by the President, by and with the advice and consent of the Senate, when no longer serving in such capacity.
- service, voluntarily separates from the Service, is separated by selection-out (see question 71), or is separated for cause (except in cases where the Secretary determines that separation was based in whole or in part on the ground of disloyalty to the United States, or unless he is barred as explained in question 147) may elect to receive a deferred annuity upon reaching age 60.

**71. What classes of Foreign Service officer may receive retirement benefits upon selection-out?**

Foreign Service officers of class 1, 2, or 3 may receive retirement benefits only in the form of annuity. Any officer of class 4, 5, 6, or 7 who is separated by selection-out may receive a benefit of one-twelfth of a year's salary at his then current salary rate for each year of service, but not to exceed a total of 1 year's salary, in addition to retirement benefits in the form of annuity at age 60 if he has 5 years of creditable civilian service; or he may elect to receive a refund of contributions to the Fund. (Officers who are age 50 or over with 20 years of creditable service may apply for voluntary retirement in lieu of selection-out benefits.)

**72. Who is eligible for a deferred annuity?**

Any participant who, after completing at least 5 years of creditable civilian

**73. When does deferred annuity begin?**

It begins on the first day of the month following the month in which the separated participant reaches age 60.

**74. What happens if a separated participant entitled to deferred annuity dies before reaching age 60?**

In voluntary separations, separations for cause on grounds not involving disloyalty, and in separation by selection-out of Foreign Service officers of class 6 or 7, the contributions together with interest are returned to his designated beneficiary. Or, if there is no designated beneficiary, payment is made to survivors in order of precedence, described in question 125. If the former participant was a Foreign Service officer of class 4 or 5 and was separated by selection-out, his death would be considered a death in service, and an annuity would be payable to a survivor.

## **VIII. Types of Annuities**

**75. How many types of annuities are there under the Foreign Service Retirement and Disability System?**

Three. These are known as (1) full annuity; (2) reduced annuity with annuity to surviving spouse; and (3) reduced annuity with annuity to

designated beneficiary other than spouse.

**76. What is the "full annuity"?**

It is the annuity elected by the retiring participant which makes no provision for a survivor and is ordinarily payable to the retiring participant for the remainder of his life unless it is terminated for reasons such as recall or recovery from disability. Under this type, which any retiring participant may choose, no survivor annuity is payable unless the annuitant at his death leaves dependent children. (See question 122.)

**77. What is the reduced annuity?**

In this type, the retiring participant takes a reduction in his annuity and names his wife (or her husband), or in the case of an unmarried participant, a designated beneficiary, to receive a survivor annuity.

**78. Who may elect a reduced annuity with benefit to widow or widower?**

Any participant, including one who is eligible to receive a deferred annuity at age 60, may choose this type if married at the time annuity is scheduled to begin.

**79. When is the survivor annuity to the widow or widower paid?**

Monthly benefits which have been elected by the participant at time of retirement for a widow or widower commence on the day following death and continue until the surviving widow or widower dies, regardless of remarriage.

**80. How much survivor annuity will the widow or widower receive?**

The retiring participant may choose all or any portion of his annuity as a base for figuring the amount of the widow's or widower's annuity. The widow or widower will receive 50 percent of the amount which the participant chooses as a base. For example, if a retiring participant chooses \$2,400 as a base, the widow or widower would receive \$1,200 a year or \$100 a month. If he chooses his full annuity as a base, and if such annuity amounts to \$6,000, the widow or widower would receive \$3,000 a year or \$250 a month.

**81. If a participant elects a reduced annuity with annuity to surviving spouse, how much is the reduction in his annuity?**

That depends on how much of his annuity the retiring participant chooses as a base for the survivor annuity. The reduction is  $2\frac{1}{2}$  percent of the first \$2,400 chosen as a base, plus 10 percent of any amount over \$2,400. For example, if the retiring participant chooses \$2,400 as a base, the reduction in his annuity will be  $2\frac{1}{2}$  percent of \$2,400 or \$60 a year. If he chooses \$6,000 as a base, the reduction in his annuity would be  $2\frac{1}{2}$  percent of \$2,400 or \$60 a year plus 10 percent of the balance (\$3,600) or \$360 a year for a total reduction of \$420 a year.

**82. Does the age of a wife or husband who is named as a survivor annuitant affect the rate of annuity?**

No.

**83. Must the retiring participant be married for a specific number of years in order to be able to name a spouse as survivor beneficiary?**

No. The participant must be married at time of retirement, or in the case of a deferred annuity the person must be married at the time deferred annuity is scheduled to begin.

**84. Who may elect a reduced annuity with benefit to a person other than a spouse?**

At the time of retirement an unmarried participant who has satisfactorily passed a physical examination may elect to receive a reduced annuity and provide for an annuity payable after his or her death to a beneficiary designated in writing to the Secretary. Former participants who elect to receive a deferred annuity at age 60 may, at time of application for annuity, also designate a beneficiary other than a spouse. A widowed or divorced person is considered unmarried.

**85. When is the annuity of a "designated beneficiary" paid?**

Monthly benefits to the designated beneficiary begin on the first day of the next month after the retired participant's death and continue for the life of the beneficiary.

**86. How much annuity will a "designated beneficiary" receive?**

The person named as the designated beneficiary will receive 50 percent of

the *reduced* annuity paid to the retired participant.

**87. If a retiring participant elects to provide an annuity for a "designated beneficiary," how much is the reduction in his annuity?**

That depends on the difference between the ages of the retiring participant and the person he designates as beneficiary. A table from which the reduction in any particular case can be figured is on page 24. For example, if a retiring participant names a person who is 11 years younger than himself, he will have his annuity reduced by 20 percent; if the person named is older than the retiring employee, the reduction is 10 percent; if the person named is 30 years younger, the reduction is 40 percent, which is the maximum reduction.

**88. Can an annuitant ever change the type of annuity he elected at retirement?**

Ordinarily no change can be made in the election made by the participant at time of retirement. However, if an annuitant is recalled to duty in the Service, or is reinstated or reappointed after recovery from disability, he may make a new election at the time of subsequent retirement.

## **IX. Annuity Computations**

**89. How is the amount of a participant's annuity determined?**

The amount of annuity depends primarily upon a participant's length of service and his average basic salary for the highest 5 consecutive years of

service. These two items are used in a formula which produces the participant's basic annuity. The basic annuity obtained by using the formula may then be reduced or increased for various reasons.

**90. How is a participant's length of service figured?**

All periods of creditable service (this includes service for which full contributions have been made in the retirement Fund plus free military service and any free service prior to July 1, 1924) are added together. The odd days in the total are dropped and the time (years and months) remaining is the length of service used in the annuity computation formula.

**91. Is there any limitation to the length of service which may be credited?**

Yes. Only 35 years of creditable civilian and military service may be counted in the computation of annuity.

**92. How is a participant's average salary for the highest 5 consecutive years figured?**

This salary is determined by the average basic salary for the highest 5 consecutive years of service for which full contributions have been made to the Fund. In the case of participants who serve as chief of mission and whose continuity of service as such is interrupted by appointment or assignment to another position determined by the Secretary to be of comparable importance, the annuity is computed on the basis of the highest 5 years of service for which full contribution has been made to the Fund (not necessarily consecutive). The "high-5" average salary is the highest salary obtainable by averaging the rate of basic salary in effect during any 5 consecutive (or nonconsecutive as the

case may be) years of service, with each rate weighted by the time it was in effect. (See question 7 for definition of "basic salary.") An example of an average salary computation which covers the 5-year period from January 1, 1956, to December 31, 1960, follows:

Rate in effect from—	Time rate was in effect			Annual rate
	Yr.	Mo.	Dy.	
1-1-56 to 12-31-56 .	1	0	0	$\times \$10,000 = \$10,000$
1-1-57 to 6-30-58 .	1	6	0	$\times 10,500 = 15,750$
7-1-58 to 9-30-58 .	0	3	0	$\times 10,800 = 2,700$
10-1-58 to 12-31-60 .	2	3	0	$\times 11,000 = 24,750$
Total	5	0	0	$\$53,200$
				"high-5" average salary = \$10,640

**93. What is the formula for determining a basic annuity?**

The annuity is equal to 2 percent of the "high-5" average salary multiplied by the number of years, not exceeding 35, of the participant's service credit. This automatically fixes 70 percent of the "high-5" average salary as the maximum annuity payable.

94. Give some examples of annuity computations where different elections are made.<sup>1</sup>

*Case A*

"High-5" average salary . . .	\$16,000
Basic annuity 70 percent (2 percent times 35 years of service times \$16,000) . . .	11,200
Maximum survivor (widow or widower annuity—½ of \$11,200) . . . . .	5,600
Cost to participant (2½ percent of \$2,400 equals \$60 plus 10 percent of \$8,800 equals \$880) . . . . .	940
Participant's reduced annuity . . . . .	10,260

*Case B*

"High-5" average salary . . .	\$12,000
Basic annuity 60 percent (2 percent times 30 years of service times \$12,000) . . .	7,200
Survivor (widow or widower) annuity (participant chooses \$6,000 as base—½ of \$6,000) . . . . .	3,000
Cost to participant (2½ percent of \$2,400 equals \$60 plus 10 percent of \$3,600 equals \$360) . . . . .	420
Participant's reduced annuity . . . . .	6,780

<sup>1</sup> A retiring employee may choose all or any part of his annuity as a base for the survivor's annuity. The reduction in his annuity will be 2½ percent of any amount up to \$2,400 he specifies as a base for the survivor benefit, plus 10 percent of any amount over \$2,400 he specifies.

In *Case A* above, the employee specified all of his annuity, thus providing the maximum for his survivor. In *Case B* employee specified \$6,000 of his annuity as a base.

If in either case the employee had chosen to provide \$1,200 for his survivor, the reduction in his annuity would be \$60.

*Case C*

"High-5" average salary . . .	\$14,000
Basic annuity 60 percent (2 percent times 30 years of service times \$14,000) . . .	8,400
Age of unmarried retiring participant—60	
Age of designated beneficiary—45	
Reduction:	
25 percent . . . . .	2,100
Reduced annuity . . . . .	6,300
Beneficiary's annuity (½ of participant's reduced annuity) . . . . .	3,150

NOTE.—See also table in appendix, Reduction for Survivor Annuity to Person Named as a Designated Beneficiary, on page 24.

95. Upon what basis is a disability annuity computed?

Any participant retired for disability with more than 5 years of creditable civilian service under the Foreign Service Retirement and Disability System, but with less than 20 years of service credit, has his annuity computed as if he had 20 years of service, except that the additional service credit up to 20 years which may accrue under this provision shall in no case exceed the difference between his age at the time of retirement and the mandatory retirement age applicable to his class in the Service (age 65 for career ministers and career ambassadors, age 60 for all other participants). For example, a Foreign Service officer of class 1 or below with 10 years of creditable service who is retiring on disability at age 55 would have his annuity computed on 15 years of service. If the retiring participant is disabled and has 20 or more years of creditable service, his annuity is

computed on the basis of actual years of service up to 35 years.

96. When is a retiring participant's basic annuity increased?

The annuity is increased if the retiring

participant has made voluntary contributions and at time of retirement elects to purchase additional annuity. (See table on page 7 illustrating amounts of additional annuity that may be purchased.)

## X. Reemployment of Foreign Service Annuitants

97. May an annuitant be employed outside the Federal Government?

Yes.

98. Would employment outside the Federal Government have any effect on annuity payments?

No. However, the ability of an annuitant who is retired for disability to accept outside employment might have a bearing on the outcome of the annual physical examination required by the law to determine recovery.

99. May an annuitant be reemployed in the Federal Government?

Yes. He may be reemployed in any position for which he is qualified.

100. What effect would reemployment in the Federal Government have on annuity payments?

A reemployed annuitant may receive the salary of the position to which he is appointed plus so much of his annuity, which when combined with such salary does not exceed during any calendar year the basic salary such person was entitled to receive in the Foreign Service on the date of his retirement. Annuity payments in some cases will be reduced, but such reduction will not reduce the salary of the annuitant.

101. Does reemployment in the Federal Government affect an annuitant's annuity when he subsequently retires?

It does not affect his annuity under the Foreign Service Retirement and Disability System. If during his reemployment he is covered by another Federal retirement system, he will make contributions to that system during the period of his reemployment and it is also possible to qualify for benefits under another system. (Reemployment in the Federal Government in this sense should not be confused with "recall, reinstatement or reappointment" to the Foreign Service.)

102. What happens to the annuity of an annuitant who is recalled as a Foreign Service officer?

The annuity of an officer who is recalled is terminated the day preceding recall, and computed anew when he subsequently separates from the Service.

103. Would a recalled annuitant have the right of a new election regarding survivorship benefits when he retires again?

Yes.

104. Should a Foreign Service annuitant notify the Department

of State if he is reemployed in the Federal Government?

He should tell the agency in which he is reemployed that he is a Foreign

Service annuitant. That agency must then notify the Department of State of the annuitant's reemployment. The Department of State will adjust his annuity payments accordingly.

## XI. Death Benefits

105. What kind of death benefits are payable when a participant dies in Service?

There are two kinds:

1. A survivor annuity benefit which begins on the date following death of the participant, and is payable in monthly installments.
2. A lump-sum benefit which is paid only once.

106. To whom is a survivor annuity payable?

Under certain conditions a survivor annuity may be payable to the widow (or widower) and dependent children of the deceased participant or deceased annuitant. It may also be payable to a person who was named by a participant at the time of retirement as a "designated beneficiary."

107. What conditions must the deceased participant have met to permit payment of a survivor annuity?

He (or she) must have completed at least 5 years of civilian service and must have been a participant in the System at the time of death.

108. What conditions must the widow of a participant who dies in Service meet to be eligible for a survivor annuity?

She must have been married to such

participant for at least 2 years immediately preceding his death or, if married less than 2 years, be the mother of his child born of the marriage.

109. What conditions must a dependent widower of a participant who dies in Service meet to be eligible for a survivor annuity?

He must have been married to such participant for at least 2 years immediately preceding her death or be the father of her child born of the marriage. In addition, he must be incapable of self-support by reason of mental or physical disability and must have received more than one-half of his support from the deceased participant.

110. How is the survivor annuity computed upon the death in Service of a participant?

If the participant at time of his or her death had less than 20 years of creditable service, the participant's annuity is computed the same as in disability retirement cases. (See question 95.) If the participant had 20 or more years of service, the annuity is computed as in voluntary retirement cases. (See question 93.) In either case the survivor annuity is one-half of the participant's annuity.

111. What conditions must the child of a participant who dies in Service meet to be eligible for a survivor annuity?

The child must be unmarried and under age 18 (a child who is over 18 may be eligible if he or she is incapable of self-support because of physical or mental disability which began before age 18). There are two basic provisions for survivor children: (1) if a participant dies and is survived by a wife or a husband *and* a child or children, each child is entitled to an annuity equal to the smallest of (a) 40 percent of the participant's "high-5" average salary divided by the number of children; (b) \$600; or (c) \$1,800 divided by the number of children; or (2) if a participant dies in Service and is not survived by a wife or husband but by a child or children, each surviving child will be paid an annuity equal to the smallest of: (a) 50 percent of the participant's "high-5" average salary divided by the number of children; (b) \$720; or (c) \$2,160 divided by the number of children.

112. Is an adopted child eligible for a survivor annuity?

Any legally adopted child is eligible if he meets the conditions stated in question 111.

113. May a stepchild be eligible for survivor annuity?

Yes. A stepchild must meet the conditions stated in question 111. In addition the child must have received more than one-half support from the deceased participant.

114. May an illegitimate child be eligible for a survivor annuity?

Yes. Such a recognized child would

be eligible under the same conditions as a stepchild. (See question 113.)

115. Is a child survivor annuity payable in addition to the widow's (or dependent widower's) annuity?

Yes. For example, if a participant who died in Service is survived by a widow and 3 children all of whom are eligible to receive survivor annuities, annuity benefits would be paid to all 4 survivors.

116. If a widow (or widower) annuitant dies, will the children's annuity be increased?

Yes. If the children are still drawing annuity, their payments will be increased as though the participant had not been survived by a widow (or widower).

117. If the annuity of one child stops for any reason, will the annuity of any remaining children be increased?

When the annuity of any one child stops, the other children's annuities are recomputed as though the one child had never been eligible. In some cases this will increase the annuities to the other eligible children.

118. When a child's annuity stops, is the widow's (or widower's) annuity affected?

No.

119. When does the survivor annuity of a widow (or widower) begin?

Such annuity begins on the day following the date of the death of participant or annuitant.

120. How long will the widow (or widower) continue to receive the survivor annuity?

The widow will receive her annuity for life. A widower's annuity continues for life or, in the case of a dependent widower survivor of a participant, until he becomes capable of self-support.

121. When does the survivor annuity of a dependent child begin and when is it terminated?

The annuity begins on the first day of the next month after the participant or annuitant dies and it is terminated when the child dies, marries, or attains the age of 18 years, except that if a child is incapable of self-support by reason of mental or physical disability the annuity is terminated only when such child dies, marries, or recovers from such disability.

122. Is there any survivor annuity benefit for a spouse who marries a participant after he or she retires?

No. There is no provision for a surviving wife (or a surviving husband) who is not married to a participant at the time of his or her retirement. However, a child who became a dependent of the annuitant subsequent to his or her retirement would be entitled to a survivor annuity upon the death of the annuitant, if such child qualified for an annuity on the basis of age or dependency status.

123. Under what conditions would a lump-sum payment be payable immediately after the death of a participant or an annuitant?

A lump-sum benefit is payable immediately if the deceased participant had less than 5 years of civilian service, or had completed 5 years but leaves no widow (or dependent widower) or children who are eligible for survivor annuity. If an annuitant who did not elect a survivor benefit dies, leaving no children eligible for benefits, before he has received in annuity payments the amount of compulsory contributions in the Fund, the remainder is payable in a lump sum.

124. May a lump-sum benefit be paid if the participant leaves a widow (or dependent widower) or children who are eligible for survivor annuity?

No lump-sum benefit may be paid while the widow (or dependent widower) or children are eligible for a survivor annuity unless there are voluntary contributions in the deceased participant's account. If when the annuities of all the survivors have ended they have received in annuities an amount which totals less than the participant's compulsory contributions to the Fund, plus any accrued interest, the difference is payable as a lump-sum benefit.

125. Who may receive the lump-sum payment?

In the absence of a designated beneficiary, if a valid claim to lump-sum payment is established, it would be paid in the following order: (1) to the surviving wife or husband of such participant; (2) if none of the above, to the child or children of such participant and descendants of deceased children by representation; (3) if none of the above, to the parents of such participant or the survivor of

them; (4) if none of the above, to the duly appointed executor or administrator of the estate of such participant; (5) if none of the above, to other next of kin of such participant as may be determined by the Secretary in his judgment to be entitled thereto.

**126. Of what does the lump-sum payment consist?**

The amount paid into the Foreign Service Retirement and Disability Fund plus any accrued interest. If a deceased participant's account includes voluntary contributions, that part is payable as a lump sum immediately, even though survivor annuities are also payable. Compulsory

contributions after annuities have ceased are payable in lump sum as described in question 124.

**127. What should the participant do if the order of payment indicated in question 125 will not carry out his wishes?**

He should designate a beneficiary to receive compulsory contributions by completing FS-560, *Designation of Beneficiary*, in duplicate and forwarding it to the Office of Personnel, Department of State. FS-374, *Election of Voluntary Deposits and Designation of Beneficiary*, is appropriate if the participant is designating a beneficiary to receive voluntary contributions.

## **XII. Refunds**

**128. What is meant by "refund"?**

A refund is the return to a former participant of money to his credit in the retirement Fund.

**129. Under what conditions is a refund payable?**

It is payable in the following circumstances:

1. When a participant is separated voluntarily or involuntarily from the Service and is ineligible for a deferred annuity at age 60 because he has had less than 5 years' civilian service.
2. When a participant is separated from the Service and is entitled to a deferred annuity at age 60, but before reaching that age elects to have the refund in lieu of an annuity.
3. When a Foreign Service officer of class 4, 5, 6, or 7 is separated by selection-out and elects a refund in lieu of an annuity at age 60.

4. When a participant transfers to employment in which he is subject to another Federal civilian retirement system.

5. When a participant elects, either at time of retirement or separation for reasons other than retirement, to receive his voluntary contributions in the form of a lump sum.

**130. How is application for refund made?**

Application must be filed on form FS-316, *Application for Refund*, and filed directly with the Department of State.

**131. If a participant who is eligible for deferred annuity elects to receive a refund at the time of his separation from the Service, may he later redeposit the refund and receive an annuity at age 60?**

No. Payment of refund cancels the right to a deferred annuity. If, how-

ever, the participant is later reemployed in the Foreign Service under conditions in which he would again be a participant, he must replace his withdrawn contributions into the Foreign Service Retirement and Disability Fund in order to receive service credit for the period covered by the refund.

**132. Of what does a refund consist?**

It consists of the deductions taken from the participant's salary, any special contributions made by him to purchase prior service credit, and any interest accrued on such sums. It may also include voluntary contributions.

**133. May the contributions made by the Department to the retirement Fund be refunded?**

No. The Department's contributions are to the Fund in general and are not credited to any individual employee.

**134. What rates of interest are paid on contributions to the retirement Fund?**

Interest on compulsory contributions to the Fund is paid on the basis of 4 percent per annum whereas interest on voluntary contributions is 3 percent per annum, compounded annually at the end of each fiscal year through June 30, 1960; semiannually as of December 31, 1960; annually thereafter as of December 31, and proportionately for the period served during the year of separation including all contributions made during or for such period.

**135. Does interest continue to accrue on contributions to the Fund after the participant has separated?**

No.

**136. May a participant who is prohibited from receiving an annuity because one has been denied him under the provisions of P.L. 769, 83d Congress, as amended (because he has committed a certain offense) be paid a refund?**

Yes.

### **XIII. Miscellaneous**

**137. How are benefits paid?**

The Department of State authorizes the payment of all benefits (annuity, refund, and lump-sum payments); the checks are issued by the Treasury Department.

**138. May annuity checks be negotiated under power of attorney?**

Yes, if the power of attorney is given to a reputable bank or trust company.

Banks usually have the necessary forms and are familiar with the instructions which are issued by the Treasury Department about power of attorney.

**139. Can annuity, refund, or lump-sum payments be attached in order to settle a judgment or other indebtedness?**

Such payments are not subject to attachment, levy, garnishment, or other legal processes.

140. Does this bar apply to indebtedness to the United States?

No. This is one exception to the rule. Amounts payable to a participant in an annuity or refund or as lump-sum payments may be used to settle a claim which the Government may have against the individual.

141. May a participant voluntarily assign his retirement deductions as security for a loan or other purposes?

No.

142. May a participant borrow from the retirement Fund?

No.

143. Are annuity payments subject to Federal income tax?

Yes, under rules prescribed by the Internal Revenue Service, Treasury Department. One exception to this rule is that annuities paid on the basis of retirement for disability are not subject to Federal income tax.

144. May an annuitant engage in politics?

Yes. An annuitant is not an employee and is therefore not governed by the political-activity restrictions which apply to Federal employees.

145. If an annuitant serves on a jury, will his annuity be affected?

No.

146. May an individual receive a Foreign Service annuity and annuity from some other Federal retirement system at the same time?

Yes, if he has qualified for benefits under more than one system.

147. Under what conditions can a participant eligible for an immediate annuity be denied such annuity?

P.L. 769, 83d Congress, as amended, prohibits payment of annuity to persons who have committed specific offenses or acts, or who remain outside the United States to avoid prosecution. A person who is barred by this law cannot receive an annuity.

148. Are the survivors of a participant disqualified from receiving an annuity if the participant himself was barred by the general requirements of P.L. 769, 83d Congress, as amended, which prohibits the payment of annuity to persons who have committed certain specific offenses or acts?

Yes.

149. Under what other conditions can a participant who is eligible to receive a deferred annuity be denied such annuity?

He may be denied such annuity if he is separated from the Service for cause and if the Secretary determines that separation was based in whole or in part on the ground of disloyalty to the United States.

150. May a participant receive an annuity and Social Security benefits at the same time?

Yes, if he has qualified for both benefits.

151. Does the information in this pamphlet apply to all retirement benefits?

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No. It applies, in general, to present participants and to those whose separations occurred on or after October 16, 1960. The rights of persons separated before that date are usually determined by the laws which were in force at the time of separation. If such persons need information about their rights under the Foreign Service Retirement and Disability System, they should make inquiry of the Department of State.

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## APPENDIX

### *Reduction for Survivor Annuity to Person Named as a Designated Beneficiary*

An unmarried participant who names a person as a designated beneficiary to receive a survivor annuity will have his annuity reduced. The amount of the reduction depends upon the difference in ages of the participant and the person named, as shown in the following table:

Age of person named in relation to that of retiring participant	Reduction in annuity of retiring participant
	<i>Percent</i>
Older, same age, or less than 5 years younger . . . . .	10
5 but less than 10 years younger . . . . .	15
10 but less than 15 years younger . . . . .	20
15 but less than 20 years younger . . . . .	25
20 but less than 25 years younger . . . . .	30
25 but less than 30 years younger . . . . .	35
30 or more years younger . . . . .	40

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